

P 031555Z OCT 08
FM SECSTATE WASHDC
TO AMEMBASSY BEIJING PRIORITY
INFO MISSILE TECHNOLOGY CONTROL REGIME COLLECTIVE PRIORITY
AMEMBASSY ISLAMABAD PRIORITY

S E C R E T STATE 105997

E.O. 12958: DECL: 10/03/2033
TAGS: [PARM](#) [PREL](#) [ETTC](#) [MTCRE](#) [KSCA](#) [CH](#) [PK](#)

SUBJECT: CHINESE ENTITY CONTINUES EFFORTS TO SUPPLY
PAKISTAN WITH MISSILE-RELATED PRODUCTION TECHNOLOGY (S)

REF: A. STATE 71613
[1](#)B. BEIJING 2681

Classified By: ISN/MTR DIRECTOR PAM DURHAM FOR REASONS 1.4 (C)

[1](#)1. (U) This is an action request. Embassy Beijing please see paragraph 4.

[1](#)2. (S) Background: In July 2008, the U.S. shared with China information indicating that the Chinese firm Polytechnologies Inc. had concluded contracts in February 2008 to supply a fiber coil winding machine and integrated optical chips to Pakistan's Advanced Engineering and Research Organization (AERO) (Ref A). The items being supplied to AERO by Polytechnologies are suitable for the production of fiber optic gyroscopes used in missile inertial navigation systems.

Because such a transfer could be inconsistent with China's missile-related export control restrictions, we asked Chinese officials to investigate this activity and determine whether optical chips and a fiber winding machine had been licensed for export to Pakistan's AERO.

[1](#)3. (S) Since our July discussions of this case, we have learned that negotiations between AERO and Polytechnologies continued into June 2008 as the two firms worked to finalize details associated with this project. In addition, we understand that false documentation was to be provided to Chinese export control authorities. This false documentation would identify this contract as related to a telecommunications project in Pakistan. We think this equipment will be used to support Pakistan's missile efforts.

We want to alert Chinese officials to this activity and urge them to use this information to support their ongoing investigation. We also would like to request an update on the status of their efforts in this case.

[1](#)4. (S) Action request: Request Embassy Beijing approach appropriate host government officials to deliver points in paragraph 5 and report response. Points also may be provided as a non-paper.

[1](#)5. (S) Begin points/non-paper:

(SECRET//REL CHINA)

-- You will recall that in July 2008, we shared with your government information indicating that the Chinese firm Polytechnologies Inc. had concluded contracts to supply a fiber coil winding machine and integrated optical chips to Pakistan's Advanced Engineering and Research Organization (AERO).

-- We understood that the integrated optical chips and fiber winding machine being supplied to AERO were suitable for the production of fiber optic gyroscopes used in missile inertial navigation systems.

-- Because such a transfer could be inconsistent with your missile-related export control restrictions, we asked your government to investigate this activity to determine whether these optical chips and the fiber winding machine were licensed for export to Pakistan.

-- We would appreciate any information you can share on your investigation into this matter. We also would like to provide you with additional details on this transaction, which we hope will be useful to your continued review of this case.

-- Specifically, we understand that negotiations between AERO and Polytechnologies continued in June 2008 as they worked to finalize details associated with this project.

-- Our information also indicates that, in order to facilitate this transaction, false documentation may have been or will be provided to Chinese export control authorities. This false documentation may identify this contract as related to producing fiber optic equipment required for a telecommunications project in Pakistan.

-- We believe this equipment will likely be used by AERO to support missile-related projects in Pakistan.

-- We hope this information is useful in supporting your investigation into this matter and look forward to continued cooperation on missile nonproliferation issues.

END TALKING POINTS.

16. (U) Washington POC is ISN/MTR James Mayes (PHONE: 202-647-3185). Please slug any reporting on this issue for ISN/MTR and EAP/CM.

17. (U) A word version of this document will be posted at www.state.sgov.gov/demarche.
RICE

NNNN

End Cable Text